

HOUSE UNIT WARNS SAIGON OVER NEED FOR WIDE REFORM

It Questions Advisability of
Continuing Support by U.S.
Unless Action Is Taken

ECONOMIC AID STUDIED

Rusk Told of Concern About
Pacification, Bureaucracy,
Inflation and Elections

By **FELIX BELAIR Jr.**
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WASHINGTON, Aug. 27 — A Congressional watchdog committee warned today of a "re-assessment of the United States position" in South Vietnam unless the Saigon Government made a basic commitment to social and economic reforms required for wide support of its people.

Sweeping revisions in overall economic arrangements between the two governments were demanded in the first three of a series of reports on economic aid programs. These dealt with illicit practices generally, the United States-financed commercial import program and the port situation at Saigon and elsewhere.

But the deeper concern of the House Committee on Government Operations was expressed in a letter of transmittal to Secretary of State Dean Rusk by the chairman and ranking minority member of the Subcommittee on Foreign Operations and Government Information — Representative John E. Moss, Democrat of California, and Ogden R. Reid, Republican of Westchester

County.

Lack of Progress Cited

"Specifically," the letter said, "we are deeply concerned about the lack of meaningful progress and reform in the logging and floundering pacification program; in dealing with the problem of refugees, inflation and land reform; in the conduct of elections, and in over-all administration with its entrenched and inefficient bureaucracy."

Mr. Reid put the matter less formally in an interview on the conclusions of the subcommittee in its followup investigations in Vietnam last month for the purpose of updating an extensive inquiry and report of last October.

"What we are really saying in the letter," Mr. Reid said, "is that there can never be broad popular support of the Government nor can the revolutionary movement have real meaning as long as 75 per cent of the farms in the south, including the Mekong Delta, are owned by absentee landlords living it up in Saigon.

"Neither will the people feel a part of that revolution unless here are truly honest elections or until corrupt officials among the Mandarin establishment are ousted from the Government. There cannot be economic progress without security of the countryside or while the Vietcong continues in

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control of some 4,000 of the 12,500 hamlets."

Mr. Moss and Mr. Reid told Mr. Rusk that they expressed not only their personal views but the consensus of the parent committee when they said in the letter:

"The Secretary of State and responsible agency heads in Washington should specifically direct the United States Ambassador and other United States officials in Vietnam to take a firmer stand in the United States representations to the G.V.N. [Government of Vietnam].

"It is the committee's view that United States officials have too often attempted to avoid 'rocking the boat' rather than pressing for necessary reform. This attitude, if continued, will lead to neither reform, nor broad popular support for the G.V.N."

The letter also said that the cooperation of the Government was absolutely essential if the United States was to help reach the common goal of freedom for the people of South Vietnam. It added:

"The continuing support of the Congress and the people of the United States is in large part dependent upon there being reasonable prospects of success. Without substantive G.V.N. action in a number of areas, prospects for success are minimal, the advisability of continued United States involvement is questionable and could lead to reassessment of the United States position."

The committee's many demands for corrective action were addressed directly to United States officials, but the committee was clearly hoping to be heard in Saigon when it said that Government must "increase its involvement in and control over programs underway to the point where United States assistance can be reduced and ultimately will no longer be necessary."

"Mr. Secretary," the letter concluded, "the American people have the right to expect either prompt and meaningful substantive action by the G.V.N. . . . or a searching reassessment of the United States position."

The reports on which the committee asked the State Department's early assessment spoke more bluntly of the Saigon Government's failure to

sition will not only continue but will become considerably worse," said one report.

"The United States Congress and the American taxpayer expect considerably more cooperation than has been demonstrated by the G.V.N. in the past," the report said. "With half a million men and billions of dollars annually in United States assistance being provided to Vietnam, we should at least be able to count on the wholehearted cooperation of Vietnamese officials in relatively minor economic matters such as these."

The conclusion in the report on the United States-financed \$100-million commercial import program said that "United States officials are as much at fault as the G.V.N." It said that while a foreign government's cooperation and a firm negotiating stance could not be legislated, nevertheless:

"The Congress, if it finds

International Development, the committee proposed that Saigon be required to use its own foreign exchange earnings to pay for products that are available only in the United States but that are now supplied free through the import program.

As the program now operates, commodities eligible for financing by the aid agency may be purchased anywhere in the world.

Looking to a larger share of Vietnam's cash purchases, the committee observed that Vietnam spent only \$6.2-million of its own foreign exchange in the United States last year out of the \$225-million used for imports from all sources.

U.S. Agency Chided

Most of these reserves came from United States military purchases of piasters, but, according to the report, \$112.4-million went to Japan, \$27.2-million to Italy, \$16.4-million to Germany, \$19-million to four other European countries, "and \$15.4-million went to France, a nation totally dedicated to sabotaging the United States dollar."

The committee took the aid agency and its Saigon mission sharply to task for not carrying out its recommendation last October that the agency

importers acting as their own sales agents in Saigon.

The "paper importer" was a holdover from French colonial days. His modus operandi was to obtain a Government license to import a quantity of goods from a foreign supplier after prearranging that the shipment would contain substantially less than the invoiced amount or nothing at all. After that, the Saigon bank would send the supplier the face value of the invoice, and the money would be split between the two conspirators.

Another sore point with the committee was the Saigon Government's refusal to turn over to the United States all dollars and military payment certificates confiscated in police raids on illegal moneychangers. The value of the seized certificates held by the Government was placed between \$200,000 and \$250,000.

The committee said that this total was "only a percentage" of the certificates known to have been in the possession of the Vietnamese customs.

size chic. (Cutting the wrist
wide bracelet, \$8. Perhaps w
as a pin, \$6. Or drop earrings,
(We also have the button vari
should you prefer these.)

